



PUBLIC NOTICE

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**Proposed First Quarter
Universal Service Contribution Factors
CC Docket No: 96-45**

In this Public Notice, the Accounting and Audits Division announces the proposed universal service contribution factors for the first quarter of 1998.

In the *Universal Service Order* released on May 8, 1997, the Commission established new federal universal service support mechanisms consistent with the Telecommunications Act of 1934, as amended.¹ The Commission required all telecommunications carriers that provide interstate telecommunications services, providers of interstate telecommunications, and payphone service providers to contribute to the federal universal service support mechanisms.² The Commission found that contributions for the schools, libraries, and rural health care programs would be based on interstate, intrastate, and international end-user telecommunications revenues.³ The Commission also found that contributions for the high cost, rural, and insular and low-income programs would be based on interstate and international end-user telecommunications revenues.⁴

On July 18, 1997, the Commission released an Order directing the National Exchange Carrier Association (NECA) to create an independently functioning not-for-profit subsidiary, the Universal Service Administrative Company (USAC), through which it will administer temporarily certain aspects of the federal universal service support mechanisms.⁵ The Commission also directed NECA to create two independent, not-for-profit entities, Schools

¹ Federal-State Joint Board on Universal Service, CC Docket No. 96-45, *Report and Order*, FCC 97-157 (rel. May 8, 1997) (*Universal Service Order*).

² *Universal Service Order* at paras. 777-786, 794-798.

³ *Universal Service Order* at paras. 837, 841.

⁴ *Universal Service Order* at paras. 831, 836.

⁵ Changes to the Board of Directors of the National Exchange Carrier Association, Inc., Federal-State Joint Board on Universal Service, *Report and Order and Second Order on Reconsideration*, FCC 97-253 (rel. July 18, 1997) (*NECA Report and Order*).

and Libraries Corporation and Rural Health Care Corporation, to administer certain aspects of the schools, libraries, and rural health care programs of the federal support mechanisms.⁶ The Commission instructed USAC, Schools and Libraries Corporation, and Rural Health Care Corporation to submit projections of demand and administrative expenses for their respective programs for the first quarter of 1998 to the Commission at least sixty days before the start of the first quarter of 1998.⁷ USAC also must compile total interstate, intrastate, and international end-user telecommunications revenues and submit that information to the Commission.⁸ The Commission stated that it would publish these figures and the proposed quarterly contribution factors in a Public Notice.⁹

On October 31, 1997, USAC, Schools and Libraries Corporation, and Rural Health Care Corporation submitted projections of demand and administrative expenses for their respective programs for the first quarter of 1998. Those figures are as follows:

Program	Program Demand	Administrative Expenses	Interest Income	Total Program Costs
Schools and Libraries Program	\$299.1 million	\$2.7 million	(\$1.8 million)	\$300.0 million
Rural Health Care Program	\$98.4 million	\$2.2 million	(\$605,000)	\$100.0 million
High Cost Program	\$434.0 million	\$1.1 million	(\$2.8 million)	\$432.3 million
Low Income Program	\$135.7 million	\$600,000	(\$900,000)	\$136.0 million
TOTALS	\$967.2 million	\$6.6 million	(\$6.1 million)	\$968.3 million

Based on information contained in the Universal Service Worksheets, FCC Form 457, USAC submitted the following information regarding end-user telecommunications revenues on November 13, 1997:

⁶ NECA Report and Order at para. 57.

⁷ NECA Report and Order at para. 47.

⁸ NECA Report and Order at paras. 43-48. See also 47 C.F.R. §§ 54.709(a)(2), (3), and 54.711(b).

⁹ NECA Report and Order at para. 48.

Total Interstate and International End-User Telecommunications Revenues from January 1, 1997 - June 30, 1997: \$35.001 billion;

Total Interstate, Intrastate, and International End-User Telecommunications Revenues from January 1, 1997 - June 30, 1997: \$89.827 billion.¹⁰

To calculate the proposed quarterly contribution factors, the Bureau divided the combined total demand projections by the appropriate six-month contribution base. Based on USAC's recommendation,¹¹ to account for possible uncollectible contributions and possible errors in the projections of demand and administrative expense, the Accounting and Audits Division decreased the contribution base totals submitted by USAC by two percent. Based on the figures submitted by USAC, Schools and Libraries Corporation, and Rural Health Care Corporation, the proposed contribution factors for the first quarter of 1998 are as follows:

Contribution factor for interstate and international end-user telecommunications revenues: **0.0166**. This figure was calculated by dividing \$568 million total projected demand for the high cost and low income programs by \$34,301 million interstate and international end-user telecommunications revenues. \$34,301 million is 98 percent of the reported \$35.001 billion interstate and international end-user telecommunications revenues contribution base.

Contribution factor for interstate, intrastate, and international end-user telecommunications revenues: **0.0045**. This figure was calculated by dividing \$400 million total projected demand for the schools, libraries, and rural health care programs by \$88,030 million interstate, intrastate, and international end-user telecommunications revenues. \$88,030 million is 98 percent of the reported \$89.827 billion interstate, intrastate, and international end-user telecommunications revenues contribution base.

If the Commission takes no action regarding the proposed contribution factors by November 28, 1997, the proposed contribution factors will be deemed approved by the Commission.¹² During that 14-day period, the Commission reserves the right to modify these contribution factors and set the projections of demand and administrative expenses at amounts that the Bureau determines will serve the public interest.¹³ Once the proposed contribution factors are deemed approved by the Commission or are modified and approved in a subsequent Public Notice, USAC shall use the approved contribution factors to calculate and

¹⁰ Letter from William Stern, NECA to Secretary, FCC, dated November 13, 1997.

¹¹ Letter from John A. Ricker, NECA to Universal Service Branch, dated November 10, 1997.

¹² *NECA Report and Order* at para. 48.

¹³ *NECA Report and Order* at para. 48.

bill first quarter universal service contributions.¹⁴ USAC will send all contributors a quarterly bill for the federal universal service support mechanisms in December of 1997.¹⁵ Contributors must submit their first quarter universal service contribution to USAC within **thirty** days of the date listed on their quarterly bill.¹⁶ Payments must be sent to the address specified on the quarterly bill.

For further information, contact Diane Law, Universal Service Branch, Accounting and Audits Division, Common Carrier Bureau, at (202) 418-7382.

Action by the Chief, Accounting and Audits Division.

¹⁴ *NECA Report and Order* at para. 49.

¹⁵ *NECA Report and Order* at para. 49.

¹⁶ *See* 47 C.F.R. § 54.711(a).